

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF**  
**SOUTH CAROLINA**  
**DOCKET NO. 2020-192-S**

**September 3, 2020**

**IN RE:** Application of Condor Environmental, Incorporated Requesting an Expansion of Its Existing Sewer Service Areas to Include Certain Portions of Anderson County and Saluda County, and Approval of Agreements

**SOUTH CAROLINA OFFICE  
OF REGULATORY STAFF'S  
FIRST AND CONTINUING  
REQUEST FOR BOOKS,  
RECORDS, AND OTHER  
INFORMATION**

**TO: ATTORNEY FOR CONDOR ENVIRONMENTAL, INC.:  
DANIEL TRAMMEL, ESQ.**

## I. INSTRUCTIONS

The South Carolina Office of Regulatory Staff (“ORS”) hereby requests pursuant to S.C. Code Ann. §§ 58-4-55 and 58-5-230 that Condor Environmental, Inc. (“Condor” or the “Company”) provide responses to the following requests for books, records, and other information electronically and under oath to [kmaurer@ors.sc.gov](mailto:kmaurer@ors.sc.gov), [dhunnell@ors.sc.gov](mailto:dhunnell@ors.sc.gov), [abateman@ors.sc.gov](mailto:abateman@ors.sc.gov), and [aknowles@ors.sc.gov](mailto:aknowles@ors.sc.gov), within fifteen (15) business days of receipt of these requests. If you are unable to respond to any of the requests, or part or parts thereof, please specify the reason for your inability to respond and state what other knowledge or information you have concerning the unanswered portion.

As used in these requests, “identify” means, when asked to identify a person, to provide the full name, business title, address and telephone number. As used in these requests, “address” means mailing address and business address. When asked to identify or provide a document, “identify” and “provide” mean to provide a full and detailed description of the document and the name and address of the person who has custody of the document. In lieu of providing a full and detailed description of a document, a copy of the document may be attached with the identity of the person who has custody of it. When the word “document” is used herein, it means any written, printed, typed, graphic, photographic, or electronic matter of any kind or nature and includes, but is not limited to, statements, contracts, agreements, reports, opinions, graphs, books, records, letters, correspondence, notes, notebooks, minutes, diaries, memoranda, transcripts, photographs, pictures, photomicrographs, prints, negatives, motion pictures, sketches, drawings, publications, and tape recordings.

Wherever in this request a masculine pronoun or possessive adjective appears, it refers to both males and females in accordance with traditional English usage.

**IT IS THEREFORE REQUIRED:**

- Pursuant to S.C. Code Ann. § 58-4-55(A) that responses be submitted under oath.
- In addition to the signature and verification at the close of the responses, the witness(es), employee(s), contractor(s), or agent(s) responsible for the information contained in each response shall be indicated at the bottom of each response.
- All information provided shall be provided in electronic form only unless otherwise requested. All information available in Excel spreadsheets shall be provided in Excel. All Excel spreadsheets shall be working copies with all formulas, links and calculations intact.
- All electronic documents provided must be provided in native file format with all formulas, links and calculations intact. Responses containing .pdf documents must be searchable. Each electronic file must be clearly marked with the Response number.
- Any inquiries or communications relating to questions concerning clarification of the information requested below should be directed to Kyle D. Maurer, Sr., PhD, P.E. [803.737.0959], Daniel P. Hunnell [803.737.0780], Andrew Bateman, Esquire [803.737.8440] or Alex Knowles, Esquire [803.737.0889] of ORS.
- That this entire list of requests be reproduced and included in front of each set of responses.
- If the response to any request is that the information requested is not currently available, please advise ORS and state when the information requested will be available and provided to the ORS. This statement is not a waiver of the deadline for all other responses.
- This request is continuing and requires the Company to supplement or amend its responses as any additional information becomes available.
- For every page produced to ORS that contains confidential information, the page is to be marked "CONFIDENTIAL" in the header. Any specific information which the Company designates as confidential information must also be marked by notation, highlighting, or other conspicuous means.

**II. REQUESTS**

- 1-1 Provide a copy of the most recent bill statement for one residential customer in each of the subdivisions and/or service area provided sewer collection services by Condor Environmental, Inc. ("Condor" or "Company").

- a. If Condor provides service to non-residential customers such as a Homeowners Association (“HOA”), please provide a copy of the most recent bill statement for one non-residential customer in each of the service areas
  - b. If not already present on each bill statement, please indicate how many units (e.g., households) are being served and the rate being charged per unit during the corresponding billing cycle.
- 1-2 Provide a list of all dockets created by the Public Service Commission of South Carolina (“PSC” or “Commission”) in which Condor is or has been a party. The list should include the following information:
  - a. Commission Docket number;
  - b. Commission Order;
  - c. Service Area approved by subdivision name;
  - d. Date of Commission Order; and
  - e. Sewer rate approved by the Commission.
- 1-3 In regard to the Carriage Hill Service Area, provide a detailed calculation and cost justification for the \$14.98 per equivalent residential customers (“ERCs”) monthly Condor charge (“Condor Fee”).
- 1-4 The Carriage Hill Service Area contract indicates Easley Combined Utilities (“ECU”) will be the entity providing wastewater treatment services to the Condor. Provide a detailed calculation, description, and all documents (e.g., ECU rate schedule or other contract, if one exists) and communications between Condor and ECU that relate to the ECU charge (“WW Fee”) and/or ECU’s terms of service with Condor.
- 1-5 Condor currently services two other subdivisions where Condor provides gravity wastewater collection service and ECU is the wastewater treatment provider (Rose Hill and Caledonia). The Commission approved a monthly Condor Fee per home in the amount of \$10 for Rose Hill (Order No. 2012-659) and \$12 for Caledonia (Order No. 2016-74).
  - a. Please provide a detailed calculation and cost justification for the Condor Fee for Rose Hill and Caledonia;
  - b. Explain why these two subdivisions are charged different Condor Fees for the same gravity wastewater collection service;
  - c. Explain and provide the supporting calculations and cost justification to support why Condor determined the Carriage Hill subdivision will be assessed a higher Condor Fee than of the Condor Fee charged to customers in the Rose Hill or Caledonia subdivisions.
- 1-6 In regard to the Carriage Hill Service Area, the contract indicates ECU will charge Condor \$25.02 per month per home in Carriage Hill (“WW Fee”), which will be collected from the Developer or HOA and paid by Condor to ECU without markup. Does ECU charge the same monthly charge per home to Condor for customers located in Rose Hill and Caledonia? If not, provide an explanation and provide the ECU monthly charge to the Rose Hill and Caledonia subdivisions.

- 1-7 The Palmetto Pointe contract establishes a one-time upfront payment in the amount of \$18,000.00, which is payable by the developer to Condor upon receipt of the operating permit for the on-site wastewater system
- Provide a detailed calculation and cost justification for the one-time upfront payment;
  - Please detail which National Association of Regulatory Utility Commissioners ("NARUC") Uniform System of Accounts ("USOA") account(s) Condor intends to record this payment to on its accounting books and records.
- 1-8 The Palmetto Pointe contract establishes a monthly charge of \$18.00 per home. Provide a detailed calculation and cost justification for the proposed monthly charge.
- 1-9 Both the contracts for Carriage Hill and Palmetto Pointe indicate the developers of the subdivisions will be contributing property and/or cash to Condor. The 2017 Tax Cuts and Jobs Act ("TCJA") made changes to federal tax law that have an impact on developers making infrastructure investments in the form of Contributions in Aid of Construction ("CIAC"). CIAC represents the amount of money or property advanced or contributed by a developer. As a result of the TCJA, CIAC is now considered federal taxable income to water and wastewater utilities.
- Please explain how Condor will collect the federal tax associated with developers of the property and/or cash contributed to Condor by the developers;
  - Please provide the calculation used by Condor to calculate the federal tax liability on the CIAC it receives from each developer;
  - Please explain which NARUC USOA account(s) Condor will record the CIAC and the federal tax collected from the developers to on its accounting books and records.
- 1-10 In regard to Exhibit M titled "PROFORMA INCOME & EXPENSE STATEMENT" of the Application:
- Provide an explanation and calculation to support the expense category titled "Utilities."
  - Provide a detailed calculation as to how the Company estimated the Repair & Maintenance expense in the "Added Rates" column.
  - Provide a detailed calculation as to how the Company estimated the Miscellaneous expense includes in the "Added Rates" column.
  - Is the Rate Case expense in the "Added Rates" column proposed to be amortized over a certain number of years or will it be booked as a one-time expense? If the rate case expenses will be amortized, please provide the amortization period.
  - Confirm that the Per Books Total Operations Operating Margin is 19.71%, an Operating Margin of 19.56% is being sought for the overall Condor operations pending approval of the proposed rates, and an Operating Margin of 17.69% is being sought for the revenue and expenses of the two new subdivisions
- 1-11 Explain why there are no depreciation expenses in Exhibits K and L in the Application related to the assets obtained by Condor via the contracts (e.g., gravity sewer, force mains, etc.).

- 1-12 Describe the proposed notification process to customers, ORS, and the Commission in the event that the pass-through wastewater treatment fee from ECU (“WW Fee”) is increased. For customer notification, will individual units (e.g., households) be notified or will only the Homeowners Association be notified?
- 1-13 Regarding Condor’s answer to Question 1 in *Applicant’s Response to Directives* filed on August 25, 2020 in Docket No. 2020-192-S, please identify the “variety of factors” that influences the rate charged by Condor to different subdivisions as indicated by Condor in its response to Commission Order No. 2020-557
- 1-14 Please provide a detailed explanation of how the HOA collects the payment for sewer service from homeowners.
- Does the HOA charge customers for sewer service? If so, how often?
  - Are the HOA’s exempt from the Commission rules and regulations?
- 1-15 In Condor’s *Applicant’s Response to Directives* filed on August 25, 2020, in response to Commission Order No. 2020-557 in Docket No. 2020-192-S, Condor stated that all of the rates included in the Company’s schedule of rates and charges in the Application have **not** been previously approved by the Commission (answer to Question 1). However, the Company also stated that “[t]he Company is of the belief this application contains no new rates or charges” (answer to Question 3).
- Have the proposed monthly rates for Carriage Hill (\$14.98/ERC Condor Fee and \$25.02/ERC WW Fee) and Palmetto Pointe (\$18.00/ERC) been previously approved by the Commission in other proceedings? Please provide an individual response for each of the three proposed rates listed here.
  - If the answer is yes to any of these rates, indicate the Commission Docket No.(s) and Order(s) in which the rate was approved. If the answer is no to any of these rates, explain how approval of each rate would constitute an expansion under existing rates.
- 1-16 Commission regulations require a current Performance Bond and a current surety to be on file with the Commission. According to ORS’s records, the Personal Financial Statement on file as surety for Condor has expired.
- Has Condor filed a Personal Financial Statement or other approved surety with the Commission in the last year?
  - If the answer is yes, please provide a copy of the current Personal Financial Statement or other approved surety. If the answer is no, provide two copies of a new verified Personal Financial Statement or other approved surety.

### **2019 Wastewater Annual Report**

- 1-17 Schedule 201 and Schedule 200, Page 1, Line 2; Account 101 shows an amount of \$554,750 for Utility Plant in Service. NARUC USOA instruction for Account 101 states:

*101 - Utility Plant in Service*

*A. This account is the control account for plant accounts 351 through 398.*

*B. This account shall include the original cost of utility plant, included in the plant accounts prescribed herein and in similar accounts for other utility departments, owned and used*

*by the utility in its utility operations, and having an expected life in service of more than one year from date of installation, including such property owned by the utility but held by nominees. Separate subaccounts shall be maintained hereunder for each utility department and/or division.*

*C. The cost of additions to and betterments of property leased from others, which are includible in this account, shall be recorded in subdivisions separate and distinct from those relating to owned property.*

- a. Please provide any and all documents to support the calculation of Account 101 in the amount of \$554,750.
- b. Please explain the decrease in the amount of \$46,000 reflected in Account 101 on the 2018 and 2019 Annual Reports.

- 1-18 Schedule 202 and Schedule 200, Page 1, Line 10; Account 108 shows an amount of \$0.00 for Accumulated Depreciation. NARUC USOA instruction for Account 108 states:

*108 - Accumulated Depreciation*

*A. This account shall reflect the depreciation accumulated on plant used in wastewater utility service.*

*B. The utility shall maintain separate subaccounts corresponding with the depreciable plant accounts, in which the accumulated depreciation total is segregated.*

- a. Please explain why Condor did not record the depreciation of the utility plant in service identified above.

- 1-19 Schedule 206 and Schedule 200, Page 15, Line 16; Account 271 shows an amount of \$0.00 for Contributions in Aid of Construction. NARUC USOA instruction for Account 271 states:

*271 - Contributions in Aid of Construction*

*A. This account shall include:*

*1. Any amount or item of money, services or property received by a utility, from any person or governmental agency, any portion of which is provided at no cost to the utility, which represents an addition or transfer to the capital of the utility, and which is utilized to offset the acquisition, improvement or construction costs of the utility's property, facilities, or equipment used to provide utility services to the public.*

*2. Amounts transferred from account 252 - Advances for Construction, representing unrefunded balances of expired contracts or discounts resulting from termination of contracts in accordance with the Commission's rules and regulations.*

*3. Compensation received from governmental agencies and others for relocation of sewer mains or other plants.*

*B. The credits to this account shall not be transferred to any other account without the approval of the Commission.*



*C. The records supporting the entries to this account shall be so kept that the utility can furnish information as to the purpose of each donation, the conditions, if any, upon which it was made, the amount of donations from (a) states, (b) municipalities, (c) customers, and (d) others, and the amount applicable to each utility department.*

- a. Please explain where and how Condor has recorded the contributed cash and/or property that Commission approved contracts indicate has been donated to Condor.
- 1-20 Condor indicated on Schedule 300, Page 1, Lines 16 and 17, of its 2019 Wastewater Annual Report that Condor did not incur any federal or state income tax expenses during the year ending December 31, 2019. However, in Exhibit M of the Application, Condor indicates its Per Books Income Taxes were \$4,965.
- a. Please explain the difference between the 2019 Wastewater Annual Report and the Application.
  - b. If Condor did not incur any State or Federal Tax liability during calendar year 2019, please provide a detailed explanation.
  - c. Please provide copies of Condor's last five (5) year's state and federal income tax returns.
- 1-21 Condor's 2018 Wastewater Annual Report stated that Condor serviced fourteen (14) residential customers (i.e., subdivisions) and three (3) commercial customers (Schedule 130; Service Area and Customer Data Section). However, Condor's 2019 Wastewater Annual Report stated that Condor serviced thirteen (13) residential customers (i.e., subdivisions) and three (3) commercial customers (Schedule 130; Service Area and Customer Data Section).
- a. Please reconcile and explain the reduction in the number of residential customers (i.e., subdivisions) served.

/s/ Andrew M. Bateman

Andrew M. Bateman, Esquire

Alexander W. Knowles, Esquire

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